

The Tax Credit for Installing Energy Efficient Windows, Doors and Skylights

Homeowners can claim tax credits if they upgrade their homes (meaning their existing primary residence) with energy efficient building envelope components, including **exterior windows, doors and skylights**. This is thanks to the federal Energy Policy Act of 2005. Ten percent of the purchase price (not including installation costs) of qualified components installed in 2006 or 2007 can be deducted from the home owner's income tax. While a total of up to \$500 can be claimed during these years, the maximum total credit for windows (including storm windows and skylights) is \$200. Doors (whether glazed or opaque, including storm doors) are subject only to the \$500 cap.

Even with this 10 percent tax credit, retrofitting a home with energy efficient windows and doors may still be a costly affair. But considering the rising costs for heating and cooling and the advances in window technology that allow lowering these costs, it does not take long for a retrofit to pay itself off. Replacing old windows and doors with ENERGY STAR windows and doors can save home-owners hundreds of dollars in heating and cooling costs each year.[†] And now the tax credit offers you the chance to save money even before the energy-cost-savings kick in. And, of course, more efficient windows and doors also substantially enhance comfort, reduce condensation, and help to protect the environment and conserve limited resources.

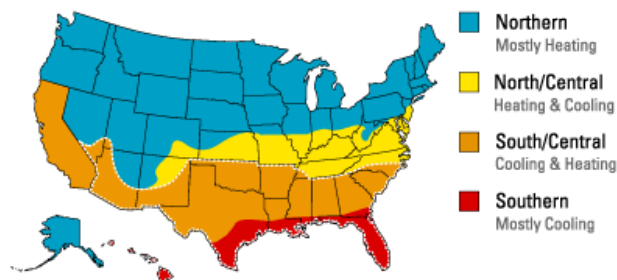
Tax Credit for Efficient Windows (including skylights and storm windows)

- For windows installed in 2006 and 2007
- 10% of purchase price
- Maximum credit of \$200
- ENERGY STAR windows and skylights qualify if installed in the regions for which they are certified

Gain the tax credit with ENERGY STAR windows

On February 21, 2006 the Internal Revenue Service published a guideline on how to claim the tax credit. This guideline clarified that all ENERGY STAR windows and skylights qualify for the tax credit – if they are installed in the regions they are certified for. For the purposes of ENERGY STAR certification, the US is divided into the four climate zones shown on the right.

Each ENERGY STAR window is labeled with a map that shows which of the climate zones for which the window is certified.



- ◀ The label on the left is an example. If the window is installed in the highlighted regions (the Northern or North/Central climate zones in this case), the tax credit can be claimed.

Some states are only partially highlighted on a label like this. In case of a doubt about which climate zone a specific county belongs to, please refer to the ENERGY STAR climate zone finder through this link:

http://www.energystar.gov/ia/partners/manuf_res/windows/ES_Climate_Zones_by_County.xls

The tax credit can be claimed on the federal income tax form at the end of the year. You should keep the ENERGY STAR certification with your records, but you are not required to attach it to your tax form.

Consider purchasing an ENERGY STAR window “Qualified In All 50 States”



The simplest way to gain the tax credit is to purchase windows that qualify as ENERGY STAR in all 50 states. These windows meet the requirements for both cooling and heating climates and therefore qualify for the tax credit wherever they are installed. They guarantee high energy performance and thermal comfort for all regions and seasons.

Windows that are not ENERGY STAR certified

For windows without ENERGY STAR labels you may only claim the tax credit if you receive a manufacturer's certification statement with your purchase that includes the following:

- a) Name and address of the manufacturer
- b) Identification of the product type, model number, etc.
- c) A statement that the component is an Eligible Building Envelope Component that qualifies for the credit allowed under §25C of the Energy Policy Act
- d) Indication of the climate zones for which the window qualifies in terms of the tax credit
- e) A special signed declaration by an authorized person stating the correctness of the certification statement

Please keep the manufacturer's certification statement with your records.

Storm windows

To claim the tax credit for storm windows and storm doors, you also need to obtain a similar manufacturer's certification statement. In addition to the points mentioned above, this statement must also specify over what class of window (e.g. double pane, low-e coating, etc.) the storm window must be installed so that the requirements of the tax credit are met.

Exterior doors

In order to qualify for the credit, any exterior doors (opaque or glazed) must have a similar manufacturer's certification statement as mentioned above.

Overall information on the tax credit

This document is not intended to constitute legal or tax advice. More comprehensive information can be obtained from IRS Notice 2006-26, which is available on the IRS website. Individuals should consult their own independent tax advisers.

For more information on the tax credit for energy efficient windows and for other home energy efficiency improvements, view the websites of:

- The Internal Revenue Service <http://www.irs.gov/newsroom/article/0,,id=154657,00.html>
- The Alliance to Save Energy <http://www.ase.org/content/article/detail/2654>

[†] According to estimated savings available on the ENERGY STAR web site: (http://www.energystar.gov/index.cfm?c=windows_doors.pr_savemoney). Actual savings will vary by climate region and home characteristics.